

M e m o r a n d u m

To: Panel Members

Date: January 26, 2007

From: Diana Torres, Manager

Analyst: C. Robinson

Subject: One-Step Agreement for **AMN HEALTHCARE, INC.**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Moving To A High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full-Time Employees
 - *Worldwide:* 1,700
 - *In California:* 588
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

CONTRACT:

- Program Costs: \$467,880
- Substantial Contribution: \$0
- Total ETP Funding: \$467,880
- Total In-kind Contribution: \$752,117
 - *Trainee Wages Paid During Training:* \$752,117
 - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Diego

INTRODUCTION:

Established in 1985, AMN Healthcare, Inc., (AMN) and its subsidiaries Worldview Healthcare, Inc. (Worldview), and AMN Staffing Services, Inc., are located in one facility in San Diego, California. AMN and its subsidiaries provide corporate support and placement services for physicians, nurses, and allied health professionals on temporary assignments at acute-care or other healthcare facilities located throughout the United States.

AMN meets out-of-state competition requirements under Title 22 California Code of Regulations, Section 4416(e)(i) as corporate headquarters for offices located both inside and outside of California. The AMN subsidiaries meet these requirements under Title 22 CCR, Section 4416(d)(3,4) for hospital account management and recruitment functions performed located both inside an outside of California.

AMN proposes to retrain 557 employees in the skills needed to move to a high performance workplace to meet its customer's demands for high quality products and service. Physicians, nurses, and allied health professionals placed on temporary assignments are not included in the proposed training plan. The ETP Agreement will be held by AMN in its own right and on behalf of its subsidiaries.

MEETING ETP GOALS AND OBJECTIVES:

AMN proposes training that will further the following ETP goals and objectives:

- 1) Enhance the skills of its frontline workers to prepare them for employment in a high performance workplace.
- 2) Foster job retention in an industry that faces increasing competition from companies located out-of-state.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retrainee	Menu: Business Skills Computer Skills Continuous Improvement Management Skills	557	24 - 200	-0-	\$840	*\$12.89 - \$72.17
<u>Occupation</u>						
Directors Managers Information Technology Staff Finance Staff Administrative Staff Sales Staff Marketing Staff Payroll/Benefits Staff Customer Service Staff Quality Assurance Staff						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health Benefits of at least \$1.72 per hour may be applied to the base wage in order to meet the ETP minimum hourly wage of \$12.89 for San Diego County.					<u>Turnover Rate</u> 28%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 16%
<u>Other Employee Benefits:</u> In addition to health, dental and vision, AMN and its subsidiaries offer paid sick leave, vacation, 401K, life insurance, long-term disability, and tuition reimbursement.						

COMMENTS / ISSUES:

➤ *Turnover Rate*

Title 22 CCR, Section 4417, Secure Job, provides that the Panel shall fund training for employment that is stable and that an employer's turnover rate shall not exceed 20 percent annually. The Panel may accept a higher turnover rate if the employer provides evidence that the proposed training will significantly decrease the turnover. Or, the Panel may impose a turnover penalty, whereby failure to stay under a particular turnover "hurdle rate" will result in a reduction of 25 percent of payment earned.

AMN requests a modified turnover "hurdle rate", from 20 percent to 25 percent. Its request is based on evidence that the proposed training will reduce its turnover in the final 12 months of the Agreement. This evidence is supported by efforts over the past three years to reduce turnover from 42 percent in 2003, to 28 percent in 2006, at AMN and its subsidiaries. These efforts include implementation of processes used internally to attract qualified and motivated employees such as improved interviewing/talent identification techniques, a longer new-hire orientation period, and expanded recruiting efforts.

AMN states that the proposed training plan will build upon these efforts and will support a reduction in turnover. ETP funded training will establish customer service standards, increase sales staff competency, and streamline processes using new system upgrades. AMN states that implementation of these changes should reduce turnover to 25 percent or less during the final 12 months of the Agreement.

➤ *Frontline Workers*

Of the 557 retrainees, 469 (84 percent) meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee). The remaining 88 retrainees are directors, managers or supervisors who constitute 16 percent of the total training population. There are no trainees who set company policy included in the proposed training plan.

➤ *Production During Training*

AMN agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

RECOMMENDATION:

Staff recommends that the Panel Staff approve the Agreement based on the participating companies' stated need to expand training efforts across all departments to remain competitive, meet changing customer needs, and establish a high performance workplace with improved company operating procedures. Staff recommends a modified turnover "hurdle rate" of 25 percent for the reasons set forth above.

NARRATIVE:

AMN delivers marketing, recruiting, placement, and support services to temporary healthcare professionals and hospital/healthcare facilities in addition to providing headquarters' support functions to its offices located throughout the United States.

Hospital/healthcare facilities utilize AMN's services to manage staffing shortages due to a variety of circumstances, such as the Family Medical Leave Act absences, new unit openings, seasonal patient census variations, and other short or long-term staffing needs. Ongoing changes in the healthcare industry, including advances in medicine/technology and new multi-state legislative dictates, also result in an increased demand for healthcare professionals. These healthcare professionals are needed to perform complex medical procedures, care for an increasing senior population, and to fill positions created as a result of new legislation mandating nurse-to-patient ratios.

Company representatives report that new strategies are needed for AMN to recruit qualified healthcare professionals and improve related services such as housing, travel, benefit, and payroll coordination, in temporary employment situations. The company must also strengthen its relationships with hospital/healthcare facilities to expand its network of customers through enhanced marketing, improved account management, and superior customer service skills.

Business Skills

All employees that interface with customers, including administrative, sales, customer service, and payroll/benefits staff will receive Advanced Marketing, Advanced Customer Service, Advanced Sales, and Communication Skills training. These sessions will increase AMN's marketing efforts, help employees develop new recruitment strategies, and improve services to healthcare professionals and hospital/healthcare facilities. Financial Strategies, Payroll Department Best Practices, New Staffing Solutions and Advanced Accounts Receivable classes will be delivered to administrative and finance staff to enhance recruiting and internal work processes to move AMN toward becoming a high performance workplace. Business Skills training will help ensure that the companies' processes are completed efficiently; improvements are implemented in account management, and market AMN services effectively to potential customers.

Computer Skills

All AMN employees included in the proposed training plan will receive Peoplesoft Course Updates, Advanced American Mobile Information Exchange (AMIE), and Advanced Gemini Computer Skills training. Cardiff Updates and Great Plains Updates training will be delivered to the finance and payroll/benefits staff. Advanced Housing Operations Management Exchange (HOME) software training will be delivered to those administrative staff responsible for temporary housing coordination. Propel Upgrade training will be delivered to sales staff who recruit and place healthcare professionals. Information Technology staff will receive training in On-Line Systems Updates to ensure that all of AMN's systems function correctly.

NARRATIVE: (continued)

All of the proposed Computer Skills courses will assist AMN to meet its goal of improved services to healthcare professionals and hospital/healthcare facilities. Training will allow AMN to implement processes and systems that enable the company to use the most current operational systems to keep track and manage its business successfully.

Continuous Improvement Skills

All of AMN's frontline staff will receive Leadership Skills training to assist them in work-related activities by taking the initiative and assuming responsibility for their own performance. All employees will also receive training in Quality Concepts training to assure that AMN's stringent standards and HCSS certification are maintained or exceeded. Teambuilding courses will also be delivered to all employees for them to better understand AMN's flow of service to aid in the company's move toward a high performance workplace. Train the Trainer classes for directors and managers will ensure that performance standards are met by enabling them to support training efforts in their particular department and better understand their role before, during and after classes are completed.

Management Skills (directors/managers only)

Management skills will be delivered to directors and managers to equip them with skills to move AMN toward becoming a high performance workplace. Advanced Leadership skills will introduce methods of effectively managing people, time, and resources. Directors and managers will be able to use four styles of management (directing, coaching, supporting, and delegating) to identify and tailor their style to different situations.

Commitment to Training

State law requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

Although AMN does not have a formal training budget, the company expends approximately \$700,000 annually training for books and materials for new hire orientation, on-the-job training, basic sales courses, refresher courses or seminars, sexual harassment prevention, governmental mandatory, and other basic business skills. This training is conducted on an as needed basis and AMN will continue to deliver it at the company's expense.

AMN representatives state that the intended training has never been delivered in the past to the employees included in the proposed training plan and does not displace its current informally delivered training. ETP funding will allow the companies to provide advanced training in a formal training program. Without ETP funding, AMN does not have the necessary resources to deliver such comprehensive training to its employees in a relatively short timeframe. Upon completion of ETP funded training, the companies plan on continuing training in many of these areas at their own expense.

SUBCONTRACTORS:

Deloitte Tax LLP, Los Angeles, California – In an amount not to exceed 13% of payment earned.

THIRD PARTY SERVICES:

Deloitte Tax LLP assisted with the ETP Application and helped prepare the training plan on a time-and-materials basis with fees anticipated to be between \$50,000 and \$75,000. AMN understands that these fees are not to be paid utilizing ETP funds.









AMN HEALTHCARE, INC

Menu Curriculum









Hours Class Lab
(24-200)

Trainees will receive any of the following:





BUSINESS SKILLS

-  Advanced Customer Service
-  Advanced Sales Skills
-  Communication Skills
-  Financial Strategies
-  Advanced Marketing Skills
-  Payroll Department Best Practices
-  New Staffing Solutions
-  Advanced Accounts Receivable



COMPUTER SKILLS

-  Advanced American Mobile Information Exchange (AMIE)
-  Cardiff Updates
-  Advanced Gemini
-  Great Plains Updates
-  Advanced Housing Operations Management Exchange (HOME)
-  On-Line Systems Updates
-  Peoplesoft Course Updates
-  Propel Updates

CONTINUOUS IMPROVEMENT

-  Leadership Skills (Frontline Workers)
-  Quality Concepts
-  Train the Trainer Skills
-  Teambuilding Skills

MANAGEMENT SKILLS (Managers/Supervisors)

-  Advanced Leadership Skills
-  Mentoring/Motivating Employees

<p><u>Comment:</u> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
